

• What are economic recovery plans?

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Now its six months since the first case of covid-19 was recorded in Rwanda, the government of Rwanda developed different measures on spot to limit the spread of coronavirus in the country. Among measures was a total lockdown as well as border and airport closure which became a labour and an economic astonish impacting not only the supply chains but also the demand. The execution of a total lockdown measures in the country placed a major anguish on the country's food value chains, chiefly businesses in the agricultural sector.

"We suffered to get market of our foods" said Samson Karoli a farmer in Nyabwishogwezi, in Nyagatare district.

According to the research conducted by Rwandese economists Alfred Bizoza and Simeon Sibomana that was published on 27 April 2020, "The covid-19 pandemic has already affected the world both in terms of people's lives and the global and national economies." On Rwanda specifically they predicted that, besides the measures the government took to curb the spread of the coronavirus and the discipline of the citizens, the agriculture sector and international trade will be affected negatively.

Alex Floris Nkurunziza is an economic expert who believes that SMEs were seriously hit. "Businesses in general have been affected, small and medium-sized enterprises are even expected to be more affected yet they are the main sources of livelihoods for most of Rwandans."

Small and medium sized enterprises in Rwanda accounts for 41% of all private sector employment and are about 98% of all enterprises and provide 84% of the private employment in the country. So with their major contribution to the country's economy, the Gross Domestic Product (GDP) will also be affected more.

"The GDP will be much affected, because small and medium enterprises contribute a lot to it" Nkurunziza explains.

He adds that the measures taken by the Rwandan government to hold the spread of covid-19 such as limiting unnecessary movements, ban of some business, and a ban on travel between different cities in the country have created a huge impact on

the small and medium sized enterprises in general.

According to the International Monetary Fund's (IMF), projections of the annual GDP for Rwanda shows that a change of around 3.5% will occur in 2020 and 6.7% in 2021.

On May 1, the government of Rwanda announced new measures easing the nationwide lockdown to revive the country's economy. The new measures allowed public and private businesses to resume work with essential staff while other employees remain working from home. Markets were open for essential vendors not exceeding 50% of registered traders. Hotels and restaurants operate and close by 7 pm. Borders remain closed except for cargo. Schools remain closed up to now as well as bars and recreation centres. There has been a general curfew that has seen strict hours to limit any movements.

The Minister of Finance and Economic Planning, Dr Uziel Ndagijimana argued that the effort to fix the economic impact of the covid-19 pandemic could cost the country more than Rwf800 billion over the next two financial years.

The government official projections indicate that spending would propel economic growth rate to an average of 8% by 2022. As part of these recovery efforts, in early June the government of Rwanda launched an Economic Recovery Fund (ERF), a fund to support businesses that were highly affected by the pandemic such that they can survive.

The ERF was launched with Rwf100 billion however there is a target to mobilize at least Rwf200 billion in total. And this money will be injected in the hotel sector loan refinancing as the sector lost about 90% of the revenue from cancellation of events and bookings due to the lockdown and travel restrictions. Businesses in manufacturing, transports, and logistics as well as Small and medium enterprises linked to domestic and global supply chain are also entitled to benefit from this fund.

"The private sector has been adversely affected by the crisis, which has disrupted priority sectors of our economy. The Economic Recovery Fund in addition to other recovery measures will help to overcome the significant hardship brought on by covid-19 on businesses and individuals and allow them to be in a position to play a meaningful role in our economic recovery," Finance Minister said.

Cabinet approved the recovery efforts with guidelines designed to operationalize the economic recovery fund, and even the eligibility criteria including bank customers who will manage to demonstrate the negative impact of the Covid-19 on their operations which will be proven by at least 50% year-on-year reduction in turnover. Priority given to borrowers who demonstrate the expected impact of the fund in recovery of their business turnover to at least 75% of pre-pandemic levels and those who can preserve jobs or creating new ones as well as increased fiscal contribution that will result in increase of tax payments.

The Fund is deployed by the central bank to commercial banks, microfinance institutions and SACCOs to lend to eligible businesses after fulfilling designed criteria. The debt sustainability will be assessed on a case-by-case basis by the banks and the applications to the Fund will remain open for a period of 2 years.

To ensure that funds are used appropriately to achieve the expected impact, government set up a Technical Steering Committee composed of the Ministry of Finance, Ministry of Trade and Industry, Rwanda Development Board (RDB), National Bank of Rwanda (BNR), Private Sector Federation (PSF), Rwanda Bankers' Association, Association of Microfinance Institutions and Business Development Fund to govern the Fund. The committee will review performance of the Fund on a monthly basis and report to the ERF High Level Steering Committee of Ministers, Central Bank Governor and CEOs of RDB and PSF.

According to Dr Ndagijimana, they are aware that there would be a decline in tax revenue, and the government has been forced to prioritize the most critical sectors that would be adopted as well as reduction of unnecessary expenditure.

"The recovery strategy has in particular determined plans such as ensuring social protection, supporting businesses recovery and at the same time conscious of the decline in tax revenue," the Finance Minister noted.

Currently, businesses across the country have reported lower expenditure by patrons largely due to low purchasing power with less money inflow.

The Finance Minister says, "This will be fixed through creation of high labour intensive infrastructure projects allowing beneficiaries to earn increasing their purchase abilities."

According to Dr Ndagijimana, there is hope to revive the export markets though prices will not be guaranteed to remain favourable.